

Message Text

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TO AMEMBASSY BONN PRIORITY
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AMEMBASSY THE HAGUE PRIORITY
AMEMBASSY TOKYO PRIORITY
INFO AMEMBASSY ROME
USMISSION EC BRUSSELS
AMEMBASSY CAIRO

C O N F I D E N T I A L STATE 198666

EXDIS

C O R R E C T E D C O P Y (LINE 6 PARA 2(E) OMITTED)

E.O. 11652: GDS

TAGS: EAID, USEGJC

SUBJECT: EMERGENCY AID TO EGYPT

REF: (A) STATE 162867; (B) STATE 1641,7;(C) STATE 126646;
(D) ROME 11966; (E) TOKYO 11610

1. SUMMARY. USG EFFORT TO ASSIST EGYPT IN RAISING
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\$1 BILLION IN EMERGENCY IMPORT-FINANCING AID FOR USE
DURING CURRENT CALENDAR YEAR HAS BEEN STALLED NEARLY
THREE MONTHS BY EVIDENT RELUCTANCE OF EACH PROSPECTIVE
EUROPEAN CONTRIBUTOR AND JAPAN TO ACT FIRST WITHOUT

KNOWING WHAT THE OTHER WILL DO. EGYPTIAN ANXIETY IS MOUNTING. IN CONTEXT OF PEACE NEGOTIATION, IT IS IMPORTANT GIVE SADAT A SENSE WEST IS RESPONSIVE AND PLEDGES COVERING EUROPEAN-JAPANESE PORTION OF INTERNATIONAL PACKAGE WILL BE FORTHCOMING PROMPTLY. ADDRESSEE POSTS ARE REQUESTED TO TAKE ACTION INDICATED BELOW TO BREAK LOGJAM.

2. BACKGROUND

(A) USG UNDERTOOK IN MAY TO ASSIST EGYPTIAN GOVERNMENT RAISE ADDITIONAL CURRENT IMPORT-FINANCING AID TALLING ABOUT \$1 BILLION TO MEET THIS ASPECT OF LARGER EXTERNAL GAP IN CY-1975. WE PROPOSED THAT USG, SAUDI ARABIA AND IRAN EACH CONTRIBUTE \$250 MILLION IN CONCESSIONAL TERM LOANS FOR GENERAL IMPORT FINANCING (NON-PROJECT AID), ADDITIONAL TO AMOUNTS ALREADY FORMALLY COMMITTED. EXCEPT FOR REMAINING ISSUE REGARDING TYING OF PORTION OF IRANIAN LOAN, THESE THREE QUARTERS OF PACKAGE HAVE BEEN PLEDGED AND FIRST LOANS MADE. WE PROPOSED THAT GERMANY PROVIDE \$100 MILLION, JAPAN \$100 MILLION AND FRANCE \$50 MILLION FOR THIS PURPOSE. SUBSEQUENTLY, WE SUPPORTED GOE REQUEST TO OTHER EC COUNTRIES, NOTABLY UK AND NETHERLANDS, FOR SMALLER CONTRIBUTIONS, RECOGNIZING THAT THEIR SUPPLEMENTAL AMOUNTS WOULD BE NEEDED TO OFFSET INEVITABLE DELAYS IN UTILIZATION OF TIED AID LOANS. IN ADDITION, GOE OBTAINED CASH LOANS FROM SAUDI ARABIA AND KUWAIT TO REDUCE EGYPT'S COSTLY DEBTS TO FOREIGN COMMERCIAL BANKS.

(B) USG REQUESTS MADE INITIALLY IN MAY AT FOREIGN MINISTER LEVEL BY SECRETARY (REF C) REITERATED AT HELSINKI WITH FRG FORNMIN AND REPEATEDLY PURSUED BY ADDRESSEE EMBASSIES AND DEPARTMENT. POSITIVE RESPONSES OBTAINED BUT NO MONEY. EC PRESIDENCY BRIEFED IN WASHINGTON AND ROME. NUMEROUS EC COMMITTEE DISCUSSIONS
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FOLLOWED.

(C) IBRD MANAGEMENT FULLY SUPPORTED EGYPTIAN CASE AND USG ANALYSIS OF NEED AND URGENCY AT EARLY JULY MEETING (REF A) WITH PROSPECTIVE DONOR EMBASSIES.

(D) JAPANESE GOVERNMENT BELATEDLY OFFERED \$50 MILLION IN CONCESSIONAL NON-PROJECT LOAN BUT AGREED UNDER PRESSURE FROM PRESIDENT FORD AND SECRETARY TO RECONSIDER HOW ADDITIONAL \$50 MILLION MIGHT BE PROVIDED, PROBABLY FROM ITS EX-IM BANK. NOW JAPANESE OFFICIALS ARE ASKING FOR INFORMATION ON GERMANY'S DECISION AND FRESH DIRECT STATEMENT FROM EGYPTIANS

BEFORE ACTING.

(E) SOME PROGRESS REPORTED (REF D) FROM AUGUST 12 MEETING OF EC POLITICAL DIRECTORS MIDDLE EAST GROUP WHICH AGREED TO POLITICAL DESIRABILITY OF INTERESTED MEMBER GOVERNMENTS' PROCEEDING WITH COORDINATED BILATERAL ECONOMIC AID TO EGYPT. THIS LEAVES UNRESOLVED WHO IS GOING TO DIG IN HIS POCKET AND WHEN.

3. EGYPTIAN ANXIETY IS MOUNTING AS YEAR WEARS ON AND REQUIREMENTS TO PLACE ORDERS FOR EUROPEAN AND JAPANESE GOODS CONTINUE. USG LOANED \$70 MILLION FIRST TRANCHE OF ITS \$250 MILLION COMMITMENT IN LATE JUNE, EXPECTS TO MAKE SECOND TRANCHE LOAN OF \$80 MILLION WITHIN FEW WEEKS, AND HAS APPROPRIATION FROM WHICH TO MAKE THIRD LOAN OF \$100 MILLION IN OCTOBER. ARABS ARE PROCEEDING WITH THEIR LOANS, AND IRAN AND EGYPT ARE ARRANGING TO NEGOTIATE REMAINING ISSUE AND TERMS OF IRANIAN LOAN. OUR FAILURE TO OBTAIN NEEDED SUPPORT FROM WESTERN ALLIES COULD RAISE SERIOUS POLITICAL QUESTIONS IN EGYPT AND OTHER ARAB COUNTRIES AS WELL AS CAUSING ECONOMIC DISTRESS IN EGYPT. IT CANNOT EASILY BE UNDERSTOOD THERE THAT MAJOR INDUSTRIAL NATIONS CANNOT PROVIDE RELATIVELY SMALL AMOUNTS OF CONCESSIONAL FINANCING OF THEIR EXPORTS TO EGYPT WHICH WE HAVE ASKED GERMANY, JAPAN AND FRANCE, PARTICULARLY TO CONTRIBUTE TO THIS INTERNATIONAL ASSISTANCE EFFORT.

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4. ACTION. EMBASSIES BONN, PARIS, LONDON, THE HAGUE ARE REQUESTED TO REVIEW SITUATION OUTLINED ABOVE AT HIGHEST APPROPRIATE LEVELS OF HOST GOVERNMENT, STRESS POLITICAL CASE FOR ACTION AT THIS MOMENT IN ME PEACE EFFORT, AND SEEK IMMEDIATE BILATERAL AID PLEDGES. IT IS HOPED EC POLITICAL GROUP'S CONCLUSION WILL CLEAR THE WAY FOR BILATERAL ACTION BY A LEADER WHICH OTHERS WILL FOLLOW. FOR TOKYO. PER REF E EMBASSY REQUESTED TO INFORM GOJ THAT (A) USG HAS APPROPRIATIONS FOR BOTH REMAINING TRANCHES OF US \$250 MILLION AND EXPECTS TO PROCEED WITH THEM AFTER CONSULTATION WITH CONGRESS FOLLOWING CURRENT ROUND OF PEACE NEGOTIATION; AND (B) AS NOTED ABOVE, GERMAN DECISION BEING SOUGHT URGENTLY. KISSINGER

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